

Wall Street ends flat after late volatility

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NEW YORK (Reuters) - Stocks closed mostly flat on Tuesday after volatility late in the session, with weakness in materials and energy shares offsetting strength in financials.

Shares traded higher for much of the session on the back of an unexpectedly strong read on existing home sales, which lifted banks. But those gains dissipated in the last half hour of trading, with Wall Street briefly turning solidly negative before staging a rebound.

Facebook Inc shares extended their slide and pressured the tech sector, giving investors few reasons to buy following a steep rally in Monday's session as they remained nervous about Europe, especially ahead of an informal leaders' summit on Wednesday.

Tuesday's gains were "just a temporary change in sentiment. Europe will continue to lurch from one crisis to another," said **Bernard Baumohl, managing director and chief global economist at the Economic Outlook Group** in Princeton, New Jersey.

An S&P index of materials shares slid 0.6 percent and ranked as the day's weakest sector. Alcoa Inc , a Dow component, lost 1.3 percent to \$8.49. An S&P index of energy shares slipped 0.3 percent while U.S. oil futures prices fell 1 percent.

Facebook lost 8.9 percent to close at \$31, hurting tech shares as doubts over the company's valuation increased after Reuters reported that Morgan Stanley, the lead underwriter, cut revenue forecasts for the social networking site shortly before the IPO.

At Tuesday's session low, the stock was down nearly 20 percent from

its IPO price of \$38 just two trading days after its market debut. Shortly after the opening bell on Tuesday, Facebook hit a session low of \$30.98.

"When Facebook broke the deal price, it became self-fulfilling that there was going to be additional pressure on the stock," said Michael James, senior trader at regional investment bank Wedbush Morgan in Los Angeles, adding that there were still those "who think valuation is way too high."

The Dow Jones industrial average dipped 1.67 points, or 0.01 percent, to 12,502.81 at the close. But the Standard & Poor's 500 Index was up just 0.64 of a point, or 0.05 percent, to 1,316.63. The Nasdaq Composite Index declined 8.13 points, or 0.29 percent, to close at 2,839.08.

The S&P 500 has bounced for the last two days after a six-day slide that found support at the 1,290 level, which coincides with the benchmark index's 10-month moving average.

Sales of existing U.S. homes rose sharply in April and a falloff in foreclosures pushed prices higher - welcome signs after a string of discouraging economic indicators.

The home sales data lifted banking and housing stocks. The S&P 500 financial sector index ended up 0.7 percent, with Bank of America Corp up 2.2 percent at \$6.98. The Dow Jones U.S. home construction index gained 1.8 percent.

After the closing bell, shares of Dell Inc slumped 6.5 percent in extended trading following the computer maker's release of its first-quarter results.

But PetSmart Inc gained 6.6 percent after the bell on results.

During the regular session, Dell rose 0.7 percent to close at \$15.08, while PetSmart shed 0.2 percent to end at \$55.62.

Best Buy Co Inc reported better-than-expected quarterly results, bolstered by a lower tax rate and an extra week as the world's largest consumer electronics chain closes stores and searches for a new chief executive. Best Buy's stock rose 1.6 percent to \$18.46.

Underscoring the debt problems that governments around the world are facing, Fitch cut Japan's sovereign credit rating on Tuesday as a political stalemate dims the chance that the country can curb its

snowballing debt.

Fitch lowered Japan's long-term foreign currency rating to A plus from AA. It cut the local currency rating to A plus from AA minus. Both were cut with a negative outlook.

The Paris-based Organization for Economic Co-operation and Development also forecast that global growth would ease to 3.4 percent this year from 3.6 percent in 2011.

Nasdaq OMX Group faces short-term costs from its botched handling of Facebook shares on their first day of trading on Friday, but longer-term repercussions could be more expensive as it struggles to restore its image. Nasdaq OMX shares slid 2 percent to \$22.32.

About 7.25 billion shares traded on the New York Stock Exchange, the American Stock Exchange and the Nasdaq, below last year's daily average of 7.84 billion.

Despite the market's mostly flat finish, advancers slightly outnumbered decliners on the New York Stock Exchange by a ratio of 16 to 15. On the Nasdaq, though, the direction was decidedly negative, with 16 stocks falling for every nine that rose.